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Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03 SS-20

USIA-15 SAM-01 SAJ-01 EB-11 SR-02 ORM-03 DRC-01 /122 W
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R 061833Z FEB 74
FM AMEMBASSY BONN
TO SECSTATE WASHDC 0257
INFO AMEMBASSY BELGRADE
AMEMBASSY BUCHAREST
AMEMBASSY BUDAPEST
AMEMBASSY LONDON
AMEMBASSY MOSCOW
AMEMBASSY PARIS
AMEMBASSY PRAGUE
AMEMBASSY SOFIA
AMEMBASSY WARSAW
USMISSION BERLIN
USMISSION NATO BRUSSELS

C O N F I D E N T I A L SECTION 01 OF 02 BONN 02033

E.O. 11652: GDS
TAGS: PFOR, GW, PL
SUBJECT: MORE ON FRG-POLISH TALKS

REF: BONN 1576

SUMMARY: FRG AND POLISH DELEGATIONS HEADED BY POLITICAL DIRECTOR VAN WELL AND DEPUTY FOREIGN MINISTER CZYREK MADE SOME PROGRESS LAST WEEK IN DRAFTING A JOINT PROTOCOL NOTE TO DEAL WITH THE PROBLEM OF EMIGRATION OF ETHNIC GERMANS FROM POLAND. HOWEVER, THIS WORK IS NOT YET COMPLETE AND THE PROSPECT OF ITS ENTERING INTO EFFECT CONTINUES TO DEPEND UPON AGREEMENT ON THE FRG'S CREDIT TO POLAND, WHICH APPEARS TO BE AS FAR AWAY AS EVER. NOW THAT FINANCE MINISTER SCHMIDT HAS IN EFFECT PUBLICLY
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COMMITTED HIMSELF NOT TO GO ABOVE ONE BILLION DM FOR THE

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SUBSIDIZED CREDIT, THE NEGOTIATIONS ON FRG PAYMENT OF PENSIONS TO CERTAIN POLISH CITIZENS ARE LOOMING LARGER AS A POSSIBLE WAY OUT OF THE IMPASSE. THE FONOFF IS PROCEEDING ALONG THIS PATH WITH GREAT RELUCTANCE AND BELIEVES THAT IT CONTAINS SIGNIFICANT DANGERS AND UNCERTAINTIES FOR THE FUTURE. END SUMMARY.

1. POLISH DESK OFFICER, ARNOT, SAID THAT, DESPITE THE DRAFTING EXERCISE THAT THE VAN WELL AND CZYREK DELEGATIONS ENGAGED IN, THERE IS STILL NO FINAL AGREEMENT AS TO THE FORM OF THEIR UNDERSTANDING ON THE EMIGRATION QUESTION. THE POLES HAD EARLIER AGREED TO A JOINT PROTOCOL - INDEED THEY MADE THE ORIGINAL PROPOSAL - BUT WERE NOW SAYING THAT THEY WOULD PREFER TO ISSUE A UNILATERAL DECLARATION WHICH WOULD, IN EFFECT, BE A SUPPLEMENT TO THE POLISH "INFORMATION" OF 1970. THE GERMAN SIDE, OF COURSE, ATTACHES GREAT VALUE TO THE MORE BINDING FORM OF A JOINT PROTOCOL. BY WAY OF COMPROMISE, THE GERMANS SAID THEY WOULD BE WILLING TO ACCEPT A NEUTRALLY-WORDED JOINT PROTOCOL TO WHICH A POLISH DECLARATION MIGHT BE ANNEXED AND THE POLES, FOR THEIR PART, SAID THEY COULD SUBSCRIBE TO AN ANODYNE JOINT PROTOCOL WHICH "REFERRED" TO A UNILATERAL POLISH DECLARATION. THIS WAS WHERE THE MATTER RESTED.

2. THE NEGOTIATORS ARE WORKING ON AN ARRANGEMENT WHICH WOULD PROVIDE FOR A SOLUTION OF THE EMIGRATION PROBLEM WITHIN A PERIOD OF THREE TO FIVE YEARS, WITH A GUARANTEED QUOTA OF 50,000 EMIGRES PER YEAR DURING EACH OF THE FIRST THREE YEARS AND WITH AGREEMENT THAT THE SITUATION WOULD BE LOOKED AT CAREFULLY AS THIS FIRST PHASE NEARED ITS CONCLUSION IN ORDER TO DETERMINE WHAT THE REMAINING REQUIREMENTS WERE.

3. THE MAIN SUBSTANTIVE PROBLEM CONCERNS THE RELATIONSHIP (WHICH BOTH SIDES TACITLY ADMIT BUT FORMALLY DENY THE EXISTENCE OF) BETWEEN EMIGRATION FROM POLAND AND THE GERMAN CREDIT OFFER. ON THE FIRST DAY OF THE VAN WELL-CZYREK TALKS, THE POLISH DELEGATION MADE CLEAR (OR, AT LEAST, SO THE GERMANS THOUGHT) THAT THE CONFIDENTIAL

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CREDIT OFFER IN ITS PRESENT FORM WAS SO INADEQUATE AS TO WARRANT FIRM AGREEMENT ONLY ON THE FIRST TRANCHE OF 50,000 EMIGRES FOR 1974. ON THE SECOND DAY, THEY ATTEMPTED TO MITIGATE THE HARSHNESS OF THIS QUID PRO QUO BY SAYING THAT THEY HAD BEEN MISUNDERSTOOD. NEVERTHELESS, IT REMAINED UNCLEAR JUST WHAT THE POLES WOULD BE WILLING TO COMMIT THEMSELVES TO IF THE CREDIT OFFER WERE NOT SUBSTANTIALLY IMPROVED.

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4. AS REGARDS THE CREDIT, FINANCE MINISTER SCHMIDT GAVE A TELEVISION INTERVIEW ON FEB 1 IN WHICH HE ASSERTED THAT THE FEDERAL GOVERNMENT WOULD NOT ALTER ITS POSITION AND THAT THE OFFER WOULD REMAIN AT ONE BILLION DM. SCHMIDT STATED HIS EXPECTATION THAT AGREEMENT COULD BE REACHED ON THIS BASIS AND SAID HE WAS WILLING TO TRAVEL TO WARSAW TO SIGN THE AGREEMENT. ARNOT BELIEVES THAT THE FEDERAL GOVERNMENT IS NOW EFFECTIVELY BOXED IN WITH REGARD TO THE

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R 061833Z FEB 74
FM AMEMBASSY BONN
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SIZE OF THE CREDIT AND THAT OTHER ASPECTS OF THE CREDIT TERMS DO NOT OFFER ENOUGH LEEWAY TO SATISFY POLISH WISHES. (FOR EXAMPLE, ANOTHER FONOFF REP TELLS US THAT THE FRG, WHILE WILLING TO AGREE TO AN INTEREST RATE OF

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APPROXIMATELY FOUR PERCENT OR POSSIBLY A BIT LOWER, IS NOT PREPARED TO HONOR THE POLISH REQUEST FOR A 2.5 PERCENT RATE, INTER ALLIA BECAUSE IT WANTS TO AVOID ACTIONS WHICH MIGHT ENCOURAGE LDCS TO CALL FOR LOWER RATES ON FRG DEVELOPMENT LOANS.) AS A CONSEQUENCE, THE TALKS ON THE FRG PAYMENT OF PENSIONS TO CERTAIN POLISH CITIZENS WILL ASSUME A CONSIDERABLY GREATER IMPORTANCE THAN THE FONOFF HAD EARLIER EXPECTED OR HOPED.

5. A DELEGATION UNDER THE AUSPICES OF THE FRG LABOR MINISTRY WILL GO TO WARSAW ON FEB 7 TO DISCUSS THE TERMS
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OF COOPERATION IN THE AREA OF PENSION PAYMENTS. THE AGREEMENT, AS THE FRG SEES IT, SHOULD BE DRAWN UP ON A MUTUAL BASIS, I.E., EACH SIDE WILL AGREE TO UNDER-TAKE THE PAYMENT OF PENSIONS TO ALL PERSONS ON ITS TERRITORY ENTITLED TO PENSION PAYMENTS FROM THE OTHER SIDE, AND EACH SIDE WILL MAKE AVAILABLE TO THE OTHER FUNDS FOR THIS PURPOSE. THERE IS, OF COURSE, A GREAT POTENTIAL IMBALANCE WITH REGARD TO NUMBERS AND SUMS OF MONEY AND THE END RESULT WOULD BE A NET FRG PAYMENT TO POLAND. ACCORDING TO OUR FONOFF SOURCE, THE GERMANS INDICATED TO CZYREK A WILLINGNESS TO PAY "SUBSTANTIALLY LESS THAN DM 500 MILLION, MORE LIKE DM 200 MILLION" FOR THIS PURPOSE. ARNOT, HOWEVER, FEARS THAT THE AMOUNT COULD BECOME SIGNIFICANTLY LARGER, AND THIS FEAR IS STRENGTHENED BY INDICATIONS THE GERMANS HAVE RECEIVED THAT THE POLES INTEND TO PRESS NOT ONLY FOR CURRENT AND FUTURE PENSION PAYMENTS, BUT FOR PAYMENTS TO COVER CLAIMS FROM THE PAST AS WELL. THIS THE FRG OPPOSES BECAUSE IT WOULD LEAVE THE WAY OPEN FOR CONFUSION BETWEEN PENSION PAYMENTS AND WARTIME COMPENSATION.

6. ARNOT SAID THAT THE FONOFF WAS QUITE UNHAPPY OVER THE WAY THINGS ARE DEVELOPING. IT REGARDS THE PENSION PAY-MENTS SCHEME AS A RISKY WAY OUT OF THE DILEMMA POSED BY THE CREDIT. THE POLES THEMSELVES WILL BE MAKING THE DECISIONS ABOUT PENSIONS ENTITLEMENTS AND AMOUNTS, BUT THE FRG WILL OBVIOUSLY HAVE TO DISPUTE THESE DECISIONS IN MANY CASES AND THIS CONTAINS IN IT THE SEEDS OF MUCH FUTURE CONTROVERSY. MOREOVER, UNCERTAINTIES ABOUT NUMBERS AND TIMING GIVE THE PENSION PAYMENTS SCHEME AN OPEN-ENDED QUALITY. THE FONOFF WOULD HAVE PREFERRED TO RAISE THE CREDIT OFFER TO THE DM 1.5-1.8 BILLION RANGE, HOPING IN THIS WAY TO OBTAIN A DEFINITE SETTLEMENT OF THE POLISH ACCOUNT. (IN FACT, ONE FONOFF CONTACT TOLD US THE POLES HAD SOUNDED OUT THE FRG AMBASSADOR IN WARSAW ON THE POSSIBILITIES OF REACHING THE ABOVE-MENTIONED RANGE BEFORE RETURNING TO THEIR DM 3 BILLION

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DEMAND AT THE TIME OF THE BIDZINSKI VISIT.) THERE IS OF
COURSE NO CERTAINTY THAT AN OFFER OF THIS MAGNITUDE WOULD
HAVE BEEN ENOUGH TO OBTAIN THE KIND OF GENEROUS SOLUTION
TO THE EMIGRATION PROBLEM WHICH THE FRG WANTS.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FOREIGN RELATIONS, EMIGRANTS, NEGOTIATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 06 FEB 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974BONN02033
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: n/a
From: BONN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740253/aaaabxlv.tel
Line Count: 234
Locator: TEXT ON-LINE
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: BONN 1576
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 27 MAR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <27 MAR 2002 by martinml>; APPROVED <31 MAY 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
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30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: MORE ON FRG-POLISH TALKS
TAGS: PFOR, GE, PL
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

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